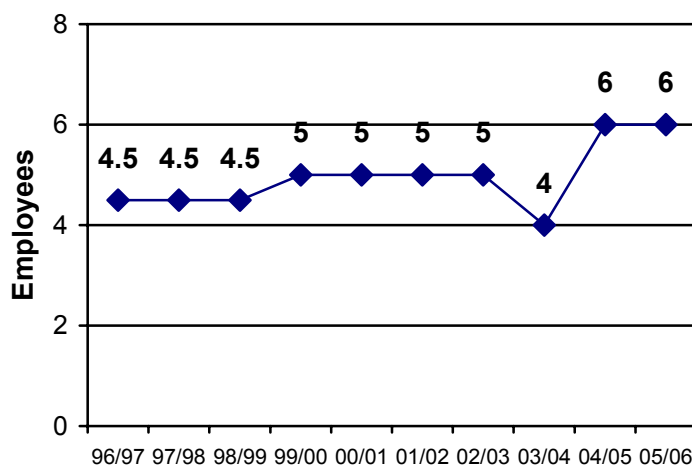


**MISSION STATEMENT**

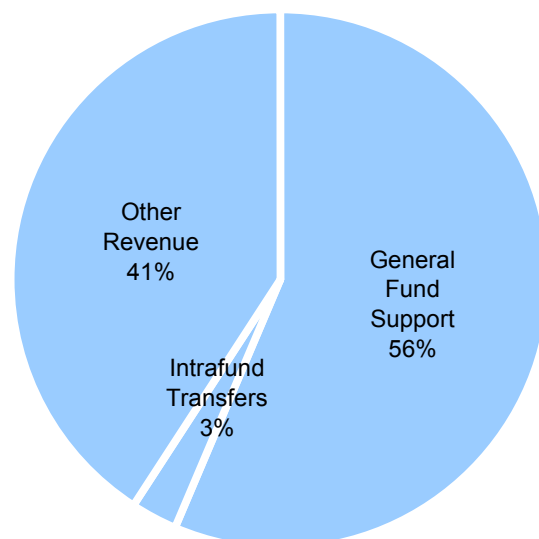
To provide high quality insurance, safety and employee benefit services at the lowest possible cost to the taxpayer.

<u>Financial Summary</u>	2003-04 <u>Actual</u>	2004-05 <u>Actual</u>	2005-06 <u>Requested</u>	2005-06 <u>Recommended</u>	2005-06 <u>Adopted</u>
Revenues	\$ 536,026	\$ 727,785	\$ 705,995	\$ 705,995	\$ 705,995
Salary and Benefits	400,709	620,914	631,982	631,982	631,982
Services and Supplies	1,003,537	937,572	1,100,086	1,100,086	1,100,086
**Gross Expenditures	\$ 1,404,246	\$ 1,558,486	\$ 1,732,068	\$ 1,732,068	\$ 1,732,068
Less Intrafund Transfers	50,791	49,854	48,273	48,273	48,273
**Net Expenditures	\$ 1,353,455	\$ 1,508,632	\$ 1,683,795	\$ 1,683,795	\$ 1,683,795
General Fund Support (G.F.S.)	<u>\$ 817,429</u>	<u>\$ 780,847</u>	<u>\$ 977,800</u>	<u>\$ 977,800</u>	<u>\$ 977,800</u>

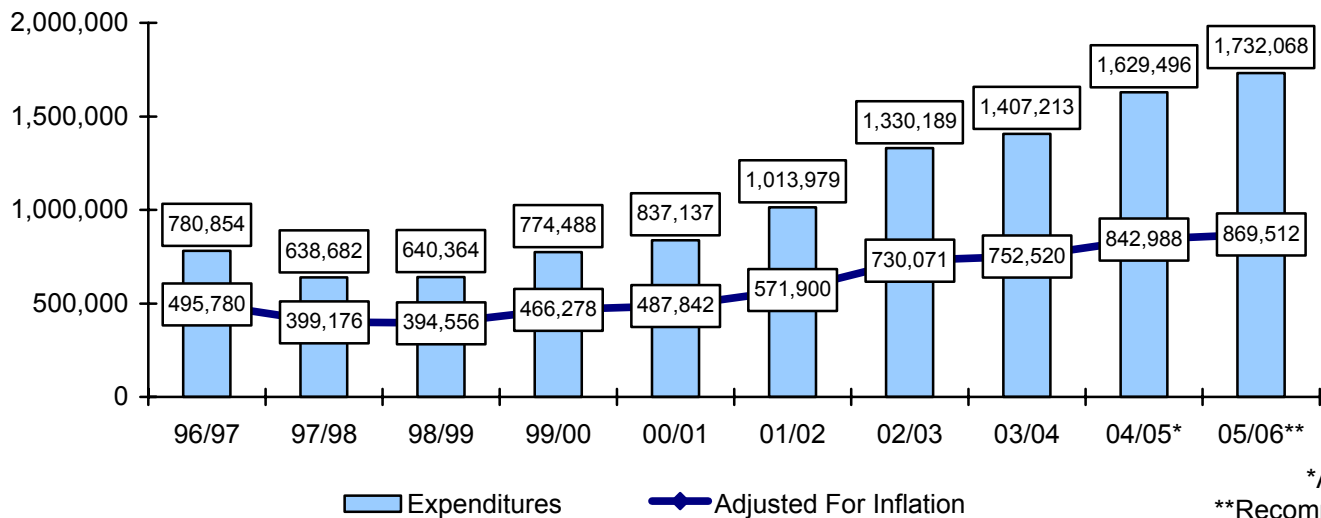
**Number of Employees**  
(Full Time Equivalent)



**Source of Funds**



## 10 Year Expenditures Adjusted For Inflation



### SERVICE PROGRAMS

#### Employee Benefits

Provide high quality employee benefit administration services (e.g., health, life, ITS, etc.) to active employees and retirees.

Total Expenditures: \$650,105 Total Staffing (FTE): 1.00

#### Risk Management

Secure cost effective insurance coverage levels for the County, implement industry standard transfer of risk policies to protect the County from unnecessary risk, provide advice to departments on insurance matters, issue insurance certificates, process all County initiated insurance claims, and perform risk analyses.

Total Expenditures: \$540,167 Total Staffing (FTE): 0.10

#### Safety

Cost effectively implement programs that ensure a safe work environment, reduce work-related employee injuries, and minimize the costs associated with Workers' Compensation.

Total Expenditures: \$117,589 Total Staffing (FTE): 1.00

#### Liability

Effectively manage the Liability Program by resolving all tort claims efficiently and fairly while minimizing costs to the taxpayer.

Total Expenditures: \$137,075 Total Staffing (FTE): 1.30

#### Workers' Compensation

Effectively manage the Workers' Compensation Program by processing all claims efficiently, fairly and in accordance with the law.

Total Expenditures: \$287,132 Total Staffing (FTE): 2.60

### DEPARTMENT COMMENTS

Risk Management's focus over the past year has been on strengthening our core programs so that we can deliver the best services at the lowest possible cost to County taxpayers. Key accomplishments we are most proud of include:

- **We're turning the Workers' Compensation Program around.** Thanks to the efforts of our Workers' Compensation

Coordinator, we now have trained Workers' Compensation liaisons in every department, a comprehensive Workers' Compensation Operational Manual, a competent Workers' Compensation third party administrator, and the data we need to effectively manage the Workers' Compensation Program. We still have a lot of ground to cover, but these efforts have already yielded remarkable results. Specifically, we expect to reduce our Workers' Compensation total program liabilities from \$26.7 million to under \$16 million by the end of the fiscal year. Further, we are in the process of prosecuting a flagrant fraud case that, if successful, will send a powerful message to our employees that fraud will not be tolerated. Finally, the Return to Work Coordinator position (approved in the 2004-05 budget and brought on board in September) has already saved over \$300,000 in temporary disability savings by returning employees to light duty jobs while they recover from work related injuries.

- **We're bringing Risk Management into the 21<sup>st</sup> Century.** The County's Safety Officer recently implemented a completely automated safety program on our department's intranet site. This program is used by Fortune 500 companies and is considered state-of-the-art because it provides a process for identifying safety concerns before they manifest into injuries. Further, our Workers' Compensation Coordinator and Return to Work Coordinator have placed all our Workers' Compensation forms and informational literature on our intranet site so that departments can conveniently access this information on a 24/7 basis. Finally, our Benefits Coordinator has converted the open enrollment and the ITS Program to an electronic process, and continues to augment the benefits frequently asked questions (FAQ) board on our intra-net site. All these efforts are aimed at making us more effective and giving departments the tools they need to become more self-sufficient.

The 2005-06 budget request will provide Risk Management with the resources to continue to build on these successes.

#### **COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS**

General Fund Support for Risk Management will grow by 20% or roughly \$168,000 for 2005-06. The increase is driven by a combination of higher expenses and lower revenue receipts. The expense increase can generally be found in the services and accounts. Specifically:

- The retiree health insurance contribution will increase by roughly \$80,000 or 20%. The additional money is needed to accommodate a projected increase of 13% in the number of retirees over 2004-05 levels (from 470 to 531) and the increased minimum health insurance contribution (from \$50/mo. to \$64.60/mo.) mandated by the Public Employees Retirement System (PERS) come 1-1-06.
- Risk Management's liability insurance charge will increase by about \$21,000. The increase is the result of two factors: the rate hike to begin rebuilding the Liability Fund, and the decision to reflect the expenses for the Manufactured Homes lawsuit (which involves mobile home rent control issues) in Risk Management's budget.

With respect to revenue, receipts for 2005-06 are down by 8% or about \$64,000. This is due to the fact that for 2005-06, Risk Management will not be able to charge out the portion of the property insurance premium that would have been allocated to the former General Hospital. Therefore, this portion of the premium has temporarily become a General Fund expense (thus, the \$64,000 shortfall). Once the facility is remodeled and reallocated to other departments for use, Risk Management will again be able to charge out this portion of the property insurance premium.

#### **BOARD ADOPTED CHANGES**

None.

**GOALS AND PERFORMANCE MEASURES**

**Department Goal:** To cost-effectively manage the employee benefit programs (health, life, tax savings, etc.) for County employees and retirees.

**Communitywide Result Link:** A well-governed community.

**1. Performance Measure: Percentage of payroll coordinators that rate the services provided by the Benefits Coordinator as above satisfactory or better.**

00/01 Actual Results	1/2 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
New Measure	New Measure	New Measure	100%	100%	95%	100%
<p><b>What:</b> Each year, Risk Management conducts a survey of all payroll coordinators to determine their level of satisfaction with the quality of service provided by the Benefits Coordinator. The survey addresses the following critical service areas: timeliness, accuracy, responsiveness, and trustworthiness of information.</p> <p><b>Why:</b> The Benefits Coordinator is responsible for educating County payroll coordinators on all aspects of employee benefits. The payroll coordinators, in turn, are responsible for disseminating this information to county employees so they can make informed benefit decisions. Regularly surveying our key customers allows us to gauge the quality of our services and make program improvements as needed.</p> <p><b>How are we doing?</b> Our satisfaction rating fell slightly this year, but at 95% it is clear that customers are still generally pleased with our service. We will, however, strive to return to a 100% satisfaction level next year.</p>						

**Department Goal:** To promote a safe work environment for county.

**Communitywide Result Link:** A safe community and a well-governed community.

**2. Performance Measure: Rate of work-related illnesses/injuries per 100 employees as compared to other state and local government agencies in California.**

00/01 Actual Results	01/02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
3	1.9	10.3	9.5	8.5	7.1	8.5
<p><b>What:</b> This tracks the number of employee illnesses/injuries per 100 employees in comparison to other state and local government agencies in California. Please note that this measure was modified beginning in 2002/03 to include data on illnesses and injuries -- as opposed to just injuries in the past. By collecting both injury and illness data, we can compare ourselves to statewide average data prepared by the Department of Industrial Relations.</p> <p><b>Why:</b> This measure helps to track the effectiveness of our Safety Program.</p> <p><b>How are we doing?</b> The statewide average for illnesses/injuries for state and local government employees is 9.9 per 100 employees. With an actual rate of 7.1 per 100 employees for 2004-05, we're well below the statewide average. Further, it's clear our new web based safety program is taking hold -- we've reduced our illness/injury rate from 9.5 per 100 employees to 7.1 per 100 employees in just one year. We will continue to strive for a lower rate in the coming year and into the future.</p>						

**3. Performance Measure: Annual number of serious employee work-related injuries (i.e., death, loss of limb or consciousness, overnight hospitalization, etc.) as defined by CAL/OSHA.**

00/01 Actual Results	1/2 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
0	1	0	1	0	0	0
<p><b>What:</b> The number of employees who experience a serious work-related injury.</p> <p><b>Why:</b> The Federal and State Occupational Safety and Health Act (OSHA) requires reporting of all serious work related injuries which they define as death, loss of consciousness/limb, overnight hospitalization, etc. This measure helps track the effectiveness of our Safety Program.</p> <p><b>How are we doing?</b> Very well; the County did not experience any serious work injuries (as defined by OSHA) in 2004-05.</p>						

**4. Performance Measure: Number of "lost days" due to workplace injury.**

00/01 Actual Results	01/02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
Data not available	Data not available	Data not available	2,777	4,000	814	2,250
<p><b>What:</b> This represents the total number of days that employees are absent during the year due to work-related injuries.</p> <p><b>Why:</b> This measure helps to track the effectiveness of our Safety Program.</p>						

**How are we doing?** In December of 2003, we discovered that the system we had in place to track lost days had been inaccurately calculating this figure since the inception of the performance measurement program. Therefore, we did not have accurate baseline data from which to project our 2004-05 adopted target. We now have a system in place, and based on the data collected for 2003-04, our baseline for lost days is 2,777 days. We ended 2004-05, however, well above our expectations and well below our target. The combination of a stepped up safety program and implementation of an early return to work program allowed us to lower the number of lost days to 814 for 2004-05. We will continue to strive for a lower rate in the coming year and into the future.

**Department Goal:** To effectively administer the County's Liability Insurance Program.

**Communitywide Result Link:** A well-governed community.

**5. Performance Measure: Number of liability claims filed, per million dollars of payroll.**

00/01 Actual Results	½ Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
1.37	1.15/CSAC Excess Insurance Authority member counties' average was 1.22	1.20/CSAC Excess Insurance Authority member counties' average was 1.20	.88/CSAC Excess Insurance Authority member counties' average was 1.18	Better than the CSAC Excess Insurance Authority member counties' average	.75/CSAC Excess Insurance Authority member counties' average is 1.04	Better than the CSAC Excess Insurance Authority member counties' average

**What:** This represents an "apples to apples" way of comparing the number of liability claims filed against local California governments.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** Relative to claims frequency, the County's liability program is in good shape. Our frequency rate continues to fall and rate is well below the CSAC-EIA member counties' average.

**6. Performance Measure: Average dollar loss/liability claim.**

00/01 Actual Results	½ Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
\$5,790	\$6,250/CSAC Excess Insurance Authority member counties' average was \$6,450	\$7,900/CSAC Excess Insurance Authority member counties' average was \$6,890	\$9,100/CSAC Excess Insurance Authority member counties' average was \$6,710	Better than the CSAC Excess Insurance Authority member counties' average	\$9,352/CSAC Excess Insurance Authority member counties' average is \$5,900	Better than the CSAC Excess Insurance Authority member counties' average

**What:** This provides an indication of how much money is being spent on average for liability claims.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** The County has continued to lose ground in this area. Not only has our average loss per claim rate risen to \$9,352 (up from the prior year level of \$9,100), we exceed the CSAC-EIA member counties' average by almost \$3,500. This is due to the maturation/settlement of several serious claims from the 2002-03 and 2003-04 accident years.

**7. Performance Measure: Dollars of loss per \$100 of payroll for liability claims.**

00/01 Actual Results	½ Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
.80	.70/CSAC Excess Insurance Authority member counties' average was .75	.80/CSAC Excess Insurance Authority member counties' average was .78	.78/CSAC Excess Insurance Authority member counties' average was .76	Better than the CSAC Excess Insurance Authority member counties' average	.70/CSAC Excess Insurance Authority member counties' average is .65	Better than the CSAC Excess Insurance Authority member counties' average

**What:** Provides an indication of the total liability dollars spent as a percentage of the County's payroll.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** The County's loss rate per \$100 payroll is basically in line with the CSAC-EIA member counties' average.

**Department Goal:** Provide Workers' Compensation benefits to County employees and administer the program to comply with mandated state regulations.

**Communitywide Result Link:** A well-governed community.

**8. Performance Measure: Dollars of loss per \$100 of payroll for Workers' Compensation claims.**

00/01 Actual Results	½ Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
\$2.30	\$2.40/CSAC Excess Insurance Authority member counties' average was \$3.00	\$2.95/CSAC Excess Insurance Authority member counties' average was \$3.33	\$3.40/CSAC Excess Insurance Authority member counties' average was \$3.80	Better than the CSAC Excess Insurance Authority member counties' average	\$3.75/CSAC Excess Insurance Authority member counties' average is \$ 4.20	Better than the CSAC Excess Insurance Authority member counties' average

**What:** Provides an "apples to apples" comparison of Workers' Compensation claims volume to other counties statewide.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** The good news is the County's loss per \$100 of payroll is well below the CSAC-EIA member counties' average of \$4.20. The bad news, however, is that our loss rate increased by \$.35 per \$100 of payroll over the prior year (i.e., \$3.40 to \$3.75). We fully expect this figure to decline in the coming year due to our efforts to more effectively manage the Workers' Comp Program. Please see the department narrative in the 2005-06 Budget document for information on Risk Management's efforts in this area.

**9. Performance Measure: Number of Workers' Compensation claims per \$1 million of payroll.**

00/01 Actual Results	½ Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
3	2.75/CSAC Excess Insurance Authority member counties' average was 3.3	2.55/CSAC Excess Insurance Authority member counties' average was 3.4	2.30/CSAC Excess Insurance Authority member counties' average was 3.47	Better than the CSAC Excess Insurance Authority member counties' average	2.10/CSAC Excess Insurance Authority member counties' average is 3.20	Better than the CSAC Excess Insurance Authority member counties' average

**What:** An "apples to apples" comparison to other counties statewide of the number of Workers' Compensation claims filed.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** The County's claims frequency rate is in good shape – we're well below the CSAC-EIA member counties average of 3.20 and continue to see a drop in our own frequency rate (i.e., from 2.30 last year to 2.10 this year). We fully expect this figure to decline further in the coming year due to our efforts to more effectively manage the Workers' Comp Program. Please see the department narrative in the 2005-06 Budget document for information on Risk Management's efforts in this area.

**10. Performance Measure: Average dollars loss per Workers' Compensation claim.**

00/01 Actual Results	½ Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Adopted	04-05 Actual Results	05-06 Target
\$8,200	\$8,640/CSAC Excess Insurance Authority member counties' average was \$7,600	\$11,500/CSAC Excess Insurance Authority member counties' average was \$8,570	\$14,000/CSAC Excess Insurance Authority member counties' average was \$9,985	Better than the CSAC Excess Insurance Authority member counties' average	\$17,864/CSAC Excess Insurance Authority member counties' average was \$12,850	Better than the CSAC Excess Insurance Authority member counties' average

**What:** Comparing the average actual dollar amount of claims.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** Our average loss rate per claim is well above the CSAC-EIA member counties' average of \$12,850 and has increased by almost \$3,900 over prior year levels (i.e. up from \$14,000 to \$17,864). This is due to the fact that the County has experienced serious losses over the past five-year period. We fully expect this figure to decline in the coming year due to our efforts to more effectively manage the Workers' Comp Program. Please see the department narrative in the 2005-06 Budget document for information on Risk Management's efforts in this area.